

NOTICES OF FINAL RULEMAKING

The Administrative Procedure Act requires the publication of the final rules of the state's agencies. Final rules are those which have appeared in the *Register* 1st as proposed rules and have been through the formal rulemaking process including approval by the Governor's Regulatory Review Council. The Secretary of State shall publish the notice along with the Preamble and the full text in the next available issue of the *Arizona Administrative Register* after the final rules have been submitted for filing and publication.

NOTICE OF FINAL RULEMAKING

TITLE 15. REVENUE

CHAPTER 10. DEPARTMENT OF REVENUE

GENERAL ADMINISTRATION

PREAMBLE

1. **Sections Affected**
R15-10-302
R15-10-303
- Rulemaking Action**
Amend
Amend
2. **The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**
Authorizing statute: A.R.S. § 42-105
Implementing statute: A.R.S. § 42-137.02
3. **The effective date of the rules:**
October 4, 1996
4. **A list of all previous notices appearing in the Register addressing the adopted rule:**
Notice of Rulemaking Docket Opening:
2 A.A.R. 1070, February 23, 1996

Notice of Proposed Rulemaking:
2 A.A.R. 3357, July 12, 1996

Correction to Notice of Proposed Rulemaking:
2 A.A.R. 3398, July 19, 1996
5. **The name and address of agency personnel with whom persons may communicate regarding the rule:**
Name: Christie Comanita, Tax Analyst

Address: Tax Research and Analysis Section
Department of Revenue
1600 West Monroe
Phoenix, Arizona 85007

Telephone: (602) 542-4672

Fax: (602) 542-4860
6. **An explanation of the rule, including the agency's reasons for initiating the rule:**
In 1992, the Arizona Legislature enacted A.R.S. § 42-137.02 providing for the payment of tax by electronic funds transfer or other immediately available monies. The statute grants the Department of Revenue authority to require, by rule, the payment of any tax (except property and individual income tax) by electronic funds transfer if the taxpayer had a liability for such tax in the preceding tax year of \$20,000 or more. Initially, the Department was directed to require payment of electronic funds transfer of withholding tax and corporate estimated income tax. The initial threshold amount for these taxes was an average quarterly withholding tax liability of \$100,000 or more in the prior tax year. The Department is authorized to prescribe, by rule, new taxpayers or threshold amounts. Taxpayers that do not meet the liability thresholds may voluntarily participate in the EFT program.

The Department lowered the tax liability thresholds to \$50,000 for withholding and corporate estimated income taxpayers in 1994. The adopted rule action amends the rules to lower the tax liability thresholds for withholding tax and corporate estimated income tax to \$20,000, effective January 1, 1997. The amendments also provide for the addition of taxpayers who, under A.R.S. Title 42, Chapters 8, 8.1, 8.2, 8.3, 9.1, 9.2, had an annual tax liability during the prior year of \$1 million or more to the requirement of remitting payment by an authorized means of transmission, effective July 1, 1997.

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7. **A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**
Not applicable.
8. **The summary of the economic, small business, and consumer impact:**
The rules lower tax liability thresholds for required and voluntary payment of taxes by means of electronic funds transfer. The rules also add taxpayers subject to tax pursuant to Title 42, Chapters 8, 8.1, 8.2., 8.3, 9.1., and 9.2. to the requirement for payment through electronic funds transfer.

Data used in preparation of the economic, small business, and consumer impact statement include figures based on current EFT filers and the projected increase in the number of filers due to the lowering of the liability threshold and the addition of transaction privilege tax filers. Benefits will accrue to the state general fund. Compliance by entities not already required to remit by means of electronic funds transfer will necessitate a change in payment methods and may involve changes in processing and accounting systems. It is expected that the benefits of the rule will be greater than the costs.
9. **A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):**
None.
10. **A summary of the principal comments and the agency response to them:**
The Department did not receive any written or verbal comments on the rule after the publication of the rule in the Notice of Proposed Rulemaking.
11. **Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**
None.
12. **Incorporations by reference and their locations in the rules:**
None.
13. **Was this rule previously adopted as an emergency rule?**
No.
14. **The full text of the rules follows:**

TITLE 15. REVENUE

**CHAPTER 10. DEPARTMENT OF REVENUE
GENERAL ADMINISTRATION**

ARTICLE 3. AUTHORIZED TRANSMISSION OF FUNDS

Section

R15-10-302. General Requirements

R15-10-303. Voluntary Participation

ARTICLE 3. AUTHORIZED TRANSMISSION OF FUNDS

R15-10-302. General Requirements

- A. For tax periods beginning on or after January 1, 1993, the following taxpayers shall remit the following specified tax payments:
 1. Taxpayers who, under pursuant to A.R.S. Title 43, Chapter 4, had an average Arizona quarterly withholding tax liability during the prior tax year of \$100,000 or more shall remit Arizona withholding tax payments by an authorized means of transmission; or,
 2. Corporations which had an Arizona income tax liability during the prior tax year of \$100,000 or more shall remit Arizona estimated income tax payments by an authorized means of transmission.
- B. For tax periods beginning on or after January 1, 1994, the following taxpayers shall remit the following specified tax payments:
 1. Taxpayers who, under pursuant to A.R.S. Title 43, Chapter 4, had an average Arizona quarterly withholding tax liability during the prior tax year of \$50,000 or more shall remit Arizona withholding tax payments by an authorized means of transmission; or,

2. Corporations which had an Arizona income tax liability during the prior tax year of \$50,000 or more shall remit Arizona estimated income tax payments by an authorized means of transmission.
- C. ~~The average Arizona quarterly withholding tax liability shall be determined by dividing the taxpayer's total Arizona withholding tax liability for the calendar year by four. For tax periods beginning on or after January 1, 1997, the following taxpayers shall remit the following tax payments:~~
 1. ~~Taxpayers who, under A.R.S. Title 43, Chapter 4, had an average Arizona quarterly withholding tax liability during the prior tax year of \$20,000 or more shall remit withholding tax payments by an authorized means of transmission;~~
 2. ~~Corporations which had an Arizona income tax liability during the prior tax year of \$20,000 or more shall remit Arizona estimated income tax payments by an authorized means of transmission.~~
- D. ~~The average Arizona quarterly withholding tax liability is shall be determined by dividing the taxpayer's total Arizona withholding tax liability for the calendar year by 4.~~
- E. ~~For tax periods beginning on or after July 1, 1997, taxpayers who, under A.R.S. Title 42, Chapters 8, 8.1, 8.2, 8.3, 9.1, and 9.2 had an annual tax liability during the prior calendar year of \$1 million or more shall remit these tax payments by an authorized means of transmission.~~

R15-10-303. Voluntary Participation

- A. For tax periods beginning on or after January 1, 1993, a taxpayer who, during the prior tax year, had a corporate income tax liability or an average quarterly withholding tax liability of less

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than \$100,000 may elect to participate in the Program by submitting to the Department an ~~a-completed~~ electronic funds transfer authorization agreement ~~that complies with as required by R15-10-304.~~

- B.** For tax periods beginning on or after January 1, 1994, a taxpayer who, during the tax year, had a corporate income tax liability or an average quarterly withholding tax liability of less than \$50,000 may elect to participate in the Program by submitting to the Department an ~~a-completed~~ electronic funds transfer authorization agreement ~~that complies with as required by R15-10-304.~~
- C.** ~~A taxpayer authorized to participate in the Program shall provide at least 30 days prior notice to the Department if the taxpayer elects to cease voluntary participation in the Program. For tax periods beginning on or after January 1, 1997, a tax-~~

payer who, during the prior tax year, had a corporate income tax liability or an average quarterly withholding tax liability of less than \$20,000 may elect to participate in the Program by submitting to the Department an electronic funds transfer authorization agreement that complies with R15-10-304.

- D.** For tax periods beginning on or after July 1, 1997, a taxpayer who, under A.R.S. Title 42, Chapters 8, 8.1, 8.2, 8.3, 9.1, and 9.2 had an annual tax liability during the prior calendar year, of less than \$1 million may elect to participate in the Program by submitting to the Department an electronic funds transfer authorization agreement that complies with R15-10-304.
- E.** A taxpayer authorized to participate in the Program shall provide at least 30 days prior written notice to the Department if the taxpayer elects to cease voluntary participation in the Program.

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TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING

CHAPTER 3. ARIZONA STATE LOTTERY COMMISSION

PREAMBLE

- | | |
|------------------------------------|---------------------------------|
| 1. <u>Sections Affected</u> | <u>Rulemaking Action</u> |
| R19-3-323 | New Section |
| R19-3-324 | New Section |
| R19-3-325 | New Section |
- 2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**
 Authorizing statute: A.R.S. § 5-504(B)
 Implementing statute: A.R.S. § 5-504(B)
- 3. The effective date of the rules:**
 October 2, 1996
- 4. A list of all previous notices appearing in the Register addressing the adopted rule:**
 Notice of Rulemaking Docket Opening:
 2 A.A.R. 3046, May 31, 1996
 Notice of Proposed Rulemaking:
 2 A.A.R. 3361, July 12, 1996
- 5. The name and address of agency personnel with whom persons may communicate regarding the rule:**
 Name: Sandy Williams
 Address: Arizona State Lottery Commission
 4740 East University
 Phoenix, Arizona 85034
 Telephone: (602) 921-4400
- 6. An explanation of the rule, including the agency's reasons for initiating the rule:**
 R19-3-323, R19-3-324, and R19-3-325 set forth provisions unique to the conduct of the Arizona Lottery's instant games. The provisions of these rules are necessary to implement the requirements of A.R.S. § 5-504(B) which have not been specified generically in R19-3-301. The unique provisions described in these Sections are the nature and location of play symbols, the ticket number, the validation code, the prize denominations, and the method of selecting a winning ticket.
- 7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**
 Not applicable.
- 8. The summary of the economic, small business, and consumer impact:**
 These games will provide our players with a larger variety of instant games with a potential increase in sales. The only impact these rules have upon Lottery retailers is to specify how they determine if a ticket is a winning ticket and, if so, the prize amount.

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9. **A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):**
 R19-3-324. "Beat the Dealer"
 (D) The  and "JOKER" were deleted from the lists of prize symbols and captions.
 (F) "2+  + \$1 + \$1 + \$1 + \$1 + \$1 = \$10 dollars (ten dollars) or" was corrected to read,
 "2 +  \$1 + \$1 + \$1 + \$1 + \$1 + \$1 = \$10 dollars (ten dollars) or"
10. **A summary of the principal comments and the agency response to them:**
 No comments were received by the agency.
11. **Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**
 Not applicable.
12. **Incorporations by reference and their locations in the rules:**
 None.
13. **Was this rule previously adopted as an emergency rule?**
 No.
14. **The full text of the rules follows:**

TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING

CHAPTER 3. ARIZONA STATE LOTTERY COMMISSION

ARTICLE 3. INSTANT LOTTERY GAMES

Section	
R19-3-323.	"Break the Bank"
R19-3-324.	"Beat the Dealer"
R19-3-325.	"Lucky Pair"

ARTICLE 3. INSTANT LOTTERY GAMES

R19-3-323. "Break the Bank"

- A. Six play symbols, which are contiguous to each other in 2 rows, appear under the latex in the play area located on the right side on the front of the ticket and are 1 of the following: \$1, \$2, \$5, \$10, \$20, \$50, \$100, or \$1,000 with confirming captions. The play symbol captions correspond with and verify the play symbols as follows:

Play Symbols	Caption
\$1	ONEDOL
\$2	TWODOL
\$5	FIVEDOL
\$10	TENDOL
\$20	TWYDOL
\$50	ETYDOL
\$100	ONEHUND
\$1,000	ONETHOU

- B. The retailer validation code verifies instant winners of \$1, \$2, \$5, \$10, \$20, \$50, and \$100. The retailer validation code which corresponds with and verifies each of these winners is as follows:

ONE	=	\$1	TWY	=	\$20
TWO	=	\$2	FFY	=	\$50
EIV	=	\$5	ONH	=	\$100
TEN	=	\$10			

- C. A pack ticket number beginning with "100001" is located in the lower-left portion on the back of the ticket.
- D. A prize winner in the "Break the Bank" instant game is determined by removing the latex from the play area on the front of the ticket to determine the play symbols. Neither the retailer validation code (or any portion thereof), the pack-ticket number (or any portion thereof), nor the validation number (or any portion thereof) are play symbols or prize symbols and are not usable or playable as such. If the ticket owner matches 3

identical play symbols, the player wins that amount. The prizes are as follows:

Match three:	\$1	=	\$1 (one dollar) or
Match three:	\$2	=	\$2 (two dollars) or
Match three:	\$5	=	\$5 (five dollars) or
Match three:	\$10	=	\$10 (ten dollars) or
Match three:	\$20	=	\$20 (twenty dollars) or
Match three:	\$50	=	\$50 (fifty dollars) or
Match three:	\$100	=	\$100 (one hundred dollars) or
Match three:	\$1,000	=	\$1,000 (one-thousand dollars)

R19-3-324. "Beat the Dealer"

- A. Five play symbols in 2 horizontal rows appear under the latex in the play area located on the lower center portion of the ticket with "YOUR CARDS" printed above, and are 1 of the following play symbols and corresponding captions:



- B. One winning number symbol appears on the upper-right portion of the play area with "DEALER'S CARD" printed above and is 1 of the following play symbols and corresponding captions:



- C. A pack-ticket number beginning with "200001" is located in the lower-left portion on the back of the ticket.
- D. The word "PRIZE" appears under each play symbol labeled "YOUR CARDS". Prize symbol captions correspond with and verify each of the prize symbols as follows:

Prize Symbol	Caption
\$1	ONEDOL
\$2	TWODOL
\$4	FORDOL
\$5	FIVEDOL
\$20	TWYDOL
\$50	ETYDOL

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\$100	ONEHUND
\$500	FIVHUND
\$1,000	ONETHOU
\$21,000	TWNTHOU

- E. The retailer validation code verifies instant winners of \$2, \$4, \$10, \$20, \$50, \$100, \$250, or \$500. The retailer validation code which corresponds with and verifies each of these winners is as follows:

\$2	=	TWO	\$50	=	FFY
\$4	=	FOR	\$100	=	ONH
\$10	=	TEN	\$250	=	THE
\$20	=	TWY	\$500	=	FHN

- E. A prize winner in the "Beat the Dealer" instant game is determined by removing the latex from the play area on the front of the ticket to determine the 10 play symbols under the latex labeled "YOUR CARDS", and the play symbol under the latex labeled "DEALER'S CARD". Neither the retailer validation code (or any portion thereof), the pack-ticket number (or any portion thereof), nor the validation number (or any portion thereof) are play symbols are not usable or playable as such. If the player's "YOUR CARDS" play symbol beats the "DEALER'S CARD" play symbol, the player wins the prize amount directly under the winning play symbol. If a "10" appears in 1 of the "YOUR CARDS" play symbols, the player automatically wins double the amount indicated in the corresponding "PRIZE" box. There may be 10 chances to win on a ticket. The prizes are as follows:

\$2	=	\$2 (two dollars) or
\$1 + 10	=	\$2 (two dollars) or
\$1 + \$1 + \$1 + \$1	=	\$4 (four dollars) or
\$2 + 10	=	\$4 (four dollars) or
\$2 + \$2 + \$2 + \$2 + \$2	=	\$10 (ten dollars) or
\$1 + \$1 + \$1 + \$1 + \$1 +		
\$1 + \$1 + \$1 + \$1 + \$1	=	\$10 (ten dollars) or
\$2 + 10 + \$1 + \$1 + \$1		
+ \$1 + \$1 + \$1	=	\$10 (ten dollars) or
\$5 + 10	=	\$10 (ten dollars) or
\$2 + \$2 + \$2 + \$2 + \$2 +		
\$2 + \$2 + \$2 + \$2 + \$2	=	\$20 (twenty dollars) or
\$5 + 10 + \$2 + \$2 + \$2		
+ \$2 + \$2	=	\$20 (twenty dollars) or
\$4 + \$4 + \$4 + \$4 + \$4	=	\$20 (twenty dollars) or
\$5 + \$5 + \$5 + \$5 + \$5 +		
\$5 + \$5 + \$5 + \$5 + \$5	=	\$50 (fifty dollars) or
\$20 + \$20 + \$20 +		
\$20 + \$20	=	\$100 (one hundred dollars) or
\$50 + \$50	=	\$100 (one hundred dollars) or
\$50 + 10	=	\$100 (one hundred dollars) or
\$50 + \$50 + \$50 +		
\$50 + \$50	=	\$250 (two-hundred fifty dollars) or
\$50 + \$50 + \$50 + \$50		
+ \$50 + \$50 + \$50 + \$50		
+ \$50 + \$50	=	\$500 (five hundred dollars) or

\$100 + \$100 + \$100 +		
\$100 + \$100	=	\$500 (five hundred dollars) or
\$500	=	\$500 (five hundred dollars) or
\$500 + \$500	=	\$1,000 (one-thousand dollars) or
\$500 + 10	=	\$1,000 (one-thousand dollars) or
\$1,000	=	\$1,000 (one-thousand dollars) or
\$21,000	=	\$21,000 (twenty-one thousand dollars)

R19-3-325. "Lucky Pair"

- A. Four pairs of 2 play symbols, which are in a horizontal row, appear under the latex in the play area located on the lower portion of the ticket. The 1st pair has "HAND 1" printed above, the 2nd pair has "HAND 2" printed above, the 3rd pair has "HAND 3" printed above, and the 4th pair has "HAND 4" printed above. Play symbol captions correspond with and verify each of the play symbols as follows:



- B. Prize symbol captions correspond with and verify each of the prize symbols as follows:

Prize Symbol	Caption
\$1	ONEDOL
\$2	TWODOL
\$3	THRDOL
\$5	FIVEDOL
\$10	TENDOL
\$50	FTYDOL
\$100	ONEHUND
\$5,000	FIVTHOU

- C. A pack-ticket number beginning with 300001 is located in the lower-left portion on the back of the ticket.

- D. The retailer validation code verifies instant winners of \$1, \$2, \$4, \$5, \$10, \$20, \$50, and \$100. The retailer validation code which corresponds with and verifies each of these winners is as follows:

ONE	=	\$1	TEN	=	\$10
TWO	=	\$2	TWY	=	\$20
FOR	=	\$4	FFY	=	\$50
FIV	=	\$5	ONH	=	\$100

- E. A prize winner in the "LUCKY PAIRS" instant game is determined by removing the latex from the play area on the front of the ticket to determine the 2 play symbols in "HAND 1", the 2 play symbols in "HAND 2", the 2 play symbols in "HAND 3", and the 2 play symbols in "HAND 4". Neither the retailer validation code (or any portion thereof), the pack-ticket number (or any portion thereof), nor the validation number (or any portion thereof) are play symbols and are not usable or playable as such. If the ticket holder uncovers 2 matching play symbols in either "HAND 1", "HAND 2", "HAND 3", or "HAND 4", the player wins the corresponding prize shown. There may be 4 winning hands on a ticket. The prizes are as follows:

\$1	=	\$1 (one dollar) or
\$1 + \$1	=	\$2 (two dollars) or
\$2	=	\$2 (two dollars) or
\$1 + \$1 + \$1 + \$1	=	\$4 (four dollars) or

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<u>\$1 + \$2 + \$2</u>	=	<u>\$5 (five dollars) or</u>	<u>\$50</u>	=	<u>\$50 (fifty dollars) or</u>
<u>\$3 + \$2</u>	=	<u>\$5 (five dollars) or</u>	<u>\$100</u>	=	<u>\$100 (one hundred dol-</u>
<u>\$5 + \$5</u>	=	<u>\$10 (ten dollars) or</u>			<u>lars) or</u>
<u>\$5 + \$2 + \$2 + \$1</u>	=	<u>\$10 (ten dollars) or</u>	<u>\$5,000</u>	=	<u>\$5,000 (five thousand</u>
<u>\$10 + \$5 + \$5</u>	=	<u>\$20 (twenty dollars) or</u>			<u>dollars)</u>
<u>\$10 + \$5 + \$3 + \$2</u>	=	<u>\$20 (twenty dollars) or</u>			